

## Global value chains and human development: a class-relational framework

Article (Accepted Version)

Selwyn, Benjamin (2016) Global value chains and human development: a class-relational framework. *Third World Quarterly*, 37 (10). pp. 1768-1786. ISSN 0143-6597

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# **GLOBAL VALUE CHAINS AND HUMAN DEVELOPMENT: A CLASS-RELATIONAL FRAMEWORK**

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## **Abstract**

Global Value Chain proponents argue that regional and human development can be achieved through ‘strategic coupling’ with transnational corporations. This argument is misleading for two reasons. First, GVC abstracts firm-firm and firm-state relations from their class-relational basis, obscuring fundamental developmental processes. Second, much GVC analysis promotes linear conceptions of development. This article provides a class-relational framework for GVC analysis. The formation and functioning of GVCs and the developmental effects associated with them are products of histories of evolving and often conflictive, class relations. A study of export horticulture in North East Brazil provides empirical support for these arguments.

*Key Words:* Global Value chains, Human Development, Strategic Coupling, Export Horticulture, North East Brazil

## **1 – INTRODUCTION**

The theoretical concepts and policy prescriptions associated with the Global Commodity chain, Global Value chain and Global Production Network (GCC, GVC, GPN, henceforth GVC) approaches have migrated from academia to the policy mainstream. From the World Bank, to UNCTAD, to the OECD to the WTO, GVC analysis is everywhere. For example, the OECD secretary general Angel Gurría recently stated that:

[e]veryone can benefit from global value chains . . . [and]we will all benefit more if governments take steps to enhance the new business environment...[furthermore]...encouraging the development of and participation in global value chains is the road to more jobs and sustainable growth for our economies.<sup>i</sup>

This article argues that whilst GVC analysis makes potentially useful contributions to our understanding of the global political economy, in its current form it generates a misleading conception of development under capitalism. It obscures how class relations underpin the processes that it focuses upon - relations between firms, their existence within institutional environments shaped by states, and the developmental outcomes of these interactions. And it hides from view and often de-legitimises other paths to human development are hidden from view and often delegitimised.

This article uses a class-relational perspective to construct an alternative framework for conducting GVC analysis. It modifies Amartya Sen's advocacy of development as a process that expands human freedoms through increasing individuals' abilities and choices.<sup>ii</sup> In contrast to Sen's methodological individualist conception of society, however, it analytically prioritises class relations. The expansion of freedoms for members of different social classes depends on myriad factors, including one that Sen does not discuss or attempt to theorise - the balance of class power between labour and capital.<sup>iii</sup>

The GVC concept, despite concern with 'value' and especially 'value-added' has no coherent theory of value. This article, by contrast, adopts Marx's labour theory of value in conjunction with a relational class analysis.<sup>iv</sup>

'Class' here is understood as simultaneously a theoretical category (with which to undertake class analysis), and an objective thing (such as really existing labouring and capitalist classes). The labour theory of value and Marx's relational conception of social class represent theoretical abstractions. Their political

economic application constitutes class analysis. The move from abstract theory to concrete analysis of social formations and their relations entails a dual process of complexification (the introduction of ever new determinants and mediations into the analysis) and clarification (illustrating how these new introductions relate to the foundational class categories).

Much value chain analysis adopts a linear conception of development – where ‘correct’ policies are transformed into successful developmental outcomes. But real development does not work like that. Unintended consequences and responses to them are as important as intended policy formulation and implementation. The combination of intended actions and unintended consequences constitutes the development process. Many of these unintended consequences and responses to elite-level policy arise out of conflictual class dynamics. But because these dynamics are evacuated from most GVC analysis, the latter is rarely able to account for them either empirically or theoretically.

Globally constituted capital-labour relations – entailing in-firm relations between capital and labour and broader international processes of class formation and organisation – represent the sub-structure upon which the existence of firms, states, and their interaction rises.

The argument here it is twofold. First, that those academics and institutions that present themselves as proffering up useful policy advice to developing regions need to be more modest in their claims, and to recognise that human development often occurs in ways that their firm-centric framework’s are ill-placed to comprehend. Second, that workers’ organisations and their collective actions are developmental, that they should be respected as such by the aforementioned academics and institutions, and given greater importance in considering how human development can be advanced.

The remainder of this article is organised as follows. Section two provides a critique of mainstream GVC analysis, and in particular, the weakness of the strategic-coupling concept. Section three provides some building blocks for class-

relational GVC analysis. Section four illustrates empirically the UK contribution to the emergence of the global retail revolution and the specific class-relations that underpinned it, an analysis of the formation and global integration of a dynamic sector of export horticulture in North East Brazil, and the global interaction between these two initially relatively discreet but subsequently increasingly intertwined social dynamics.

## 2 - LIMITS TO GVC ANALYSIS

GVC analysis is potentially useful in at least two ways. First, it illustrates with empirical clarity the fallacy of the idea of the ‘free market’. It shows how relations between and within firms are coordinated and that value chains exist within a broader institutional environment. Within this environment state actions extend beyond enhancing the business environment, to enabling the formation and interaction of new value chains, and in raising the possibilities of rapid innovation within firms and throughout these chains. Secondly, it breaks down prior methodological nationalist conception of development and pushes us to rethink its global dimensions.

Despite these insights, mainstream GVC analysis suffers from a firm-centrism which de-links underlying social (class) relations from the formation, functioning and developmental outcomes associated with GVCs. To grasp why this is so requires a short detour into the evolution of the GVC concept.

### *2.1 - From GCC's to GPN's: The Evolution of the Value Chain Concept*

It is now more than 20 years since the operationalization of the Global Commodity chain (GCC) concept and its offshoots.<sup>v</sup> Since the mid 1990s the GCC framework has been reformulated into Global Value chain (GVC) and Global Production Network (GPN) analyses.<sup>vi</sup>

In their initial formulation Gereffi et al.<sup>vii</sup> sought to operationalise the earlier World Systems Theory conception of Global Value chains.<sup>viii</sup> The formation and functioning of GCCs was explained by Gereffi et al., as arising out of transformations in production and distribution, which were themselves driven by processes of techno-industrial, regulatory and managerial change. GCC analysis aimed to identify and facilitate the investigation of power relations and interactions between firms within, and non-firm actors beyond the value chain, and the developmental consequences of these new relationships on firms and regions in the global south.

Gereffi and his colleagues decided to change the terminology of GCC to GVC in the 2000's to investigate in more nuanced ways relations between firms within particular economic sectors, at the expense of prior concerns with extra-value chain actors.<sup>ix</sup> As Bair summarises, the evolution from the WST conception of GCC in the 1970s and 1980s, to the operationalization of GCC in the mid 1990s, to the GVC concept in the early 2000s, represented a continuing shift in political economic focus: From the world capitalist economy, to inter-firm networks in global industries, to sectoral logics of global industries.<sup>x</sup>

The GVC framework has been criticised in various ways. For example, Henderson et al., argued that GCC/GVC approaches ignore processes of local-level embeddedness and argue for conceptually incorporating labour as a constitutive aspect of the 'territorial context'.<sup>xi</sup> Phil Taylor also notes the irony that the GVC concept has no explicit theorisation of value.<sup>xii</sup>

Henderson et al. and others associated with the 'Manchester School' formulated the Global Production Network (GPN) approach as a means of overcoming GCC/GVC's excessive focus on inter-firm relations. Whilst recognising and incorporating the strengths of GCC/GVC (the focus on changing inter-firm relations and their developmental consequences) GPN analysis sought to emphasise aspects of value creation, power and social embeddedness. GPN notions of power, value creation and local-level embeddedness, whilst intuitively

necessary for a deeper comprehension of development, lose analytical purchase in application because they are not founded in an internally integrated conception of capitalist reproduction.

A particularly influential case of such a ‘de-classed’ political economy is the concept of ‘strategic coupling’ developed by GPN proponents. An illustration of this concept’s limitations provides a rationale for the formulating of a different theoretical and conceptual starting point to GVC analysis.

## *2.2 - Beyond Strategic Coupling*

GVC analysis, where relations between firms and their institutional environment are given pride of place, simplifies the social world to such an extent that it generates a distorted understanding of it, and therefore represents a poor guide to achieving genuine human development. For example, UNCTAD’s *World Investment Report 2013*, advances a framework for assisting developing states and agencies to link up with lead firms in order to stimulate regional development. The report suggests that:

Active promotion of GVCs and GVC-led development strategies imply the encouragement and provision of support to economic activities aimed at generating exports in fragmented and geographically dispersed industry value chains, based on a narrower set of endowments and competitive advantages. And they imply active policies to encourage learning from GVC activities in which a country is present, to support the process of upgrading towards higher value added activities and diversifying into higher value added value chains.<sup>xiii</sup>

Within GPN analysis the above formulations have been couched in terms of ‘strategic coupling’ which refers to ‘the dynamic processes through which actors in cities and/or regions coordinate, mediate, and arbitrage strategic

interests between local actors and their counterparts in the global economy'.<sup>xiv</sup> More recently, Yeung has refined the concept of strategic coupling, arguing that it needs to take into account existing 'spatial differentiation within the national economy' to formulate sector-specific industrial policies rather than 'generic pro-GPN policies', and that '[d]eveloping industrial policies orientated towards promoting a niche in a particular sector or intra-sectoral segment can...make good sense for regional development'.<sup>xv</sup> Despite these attempts at reformulation, there are at least two foundational problems with this concept.

The first problem is that it rests upon assumptions of intentionality: Regional actors are interpreted (and advised) to facilitate firms' upgrading within GVCs. The emphasis on intentionality – and the attempt to illustrate how successful cases of upgrading are products of it – misses how contemporary forms of 'coupling' or global integration have their roots in historically prior, non-intentional, and geographically un-related political economic processes (see section 4 below). As Danny MacKinnon puts it, 'coupling processes...tend to be more organic than strategic in nature, based on processes of co-evolution'.<sup>xvi</sup> There is no attempt within the strategic coupling concept to theorise how unintended consequences shape developmental processes. This simplifies the concept (making it amenable to ideological policy formulation) but undermines its analytical value.

The second problem with the concept of strategic coupling stems from its advocates' reluctance to systemically incorporate class relations into their conceptual schema. For example, Yeung suggests that negative consequences of strategic coupling within GPN's may include social and class conflicts.<sup>xvii</sup> Further, Yeung and Coe argue that 'dark sides' to strategic coupling include becoming locked into 'race-to-the-bottom' forms of global integration with deleterious impacts upon local labour forces.<sup>xviii</sup>

These formulations ignore how class conflicts, in particular those waged by states and firms against peasants and workers, are *constitutive of* the formation



of employable/exploitable workforces. From Marx's analysis of the dispossession of the English peasantry in *Capital* Vol. 1, to the violent conditions under which labour markets were created and workers employed across East Asia, such actions are the *precondition* for systematic competitive capital accumulation. Yeung's formulation also ignores how lead and supplier firms may collaborate with local states to engender proletarianisation and impose intense labour discipline on newly emerging labouring classes as part of their strategies of global integration, upgrading and expansion.<sup>xix</sup>

Yeung's classification of social and class conflicts as a potential negative consequences of strategic coupling disables him from considering how such struggles (from below) can generate impulses towards 'social upgrading' and more progressive forms of regional development. Put differently, the possibility that such struggles may 'unlock' a region from a 'race-to-the-bottom' trajectories of global integration is absent. This reflects a conceptual firm-centric denial that labouring class organisations and collective actions are potentially developmental.<sup>xx</sup>

The concept of strategic coupling tends towards the a-historical and a-social. It is profoundly conservative in that it identifies class struggles as deleterious outcomes of mal-development and as coming from below, and it naturalises class struggles from above as part and parcel of the normal, 'correct', development process.

In their advice to state actors to facilitate such linking-up, strategic-coupling proponents' starting point is the existence of firms (with employable labour forces) that are potentially able to undertake such ventures, rather than the broader historical question of how these firms actually came to be in such a position. There is an element here of assuming what should be explained. The existence of these firms can rarely be reduced to intentional policy and are more often the outcome of more contradictory and conjunctural historical processes.

The concept of strategic coupling is therefore ill-placed to comprehend indeterminant development processes. Policies implemented today will have a very different developmental impact tomorrow because the world will have changed between today and tomorrow due, in part to those policies, but also, and fundamentally, to responses to those policies by myriad social forces.<sup>xxi</sup> The following section provides the beginnings of alternative, class-relational theoretico-methodological building blocks for undertaking GVC analysis, with the objectives of overcoming the weaknesses identified here.

### 3 CLASS-RELATIONS AND GVC ANALYSIS

A class relational GVC analysis does not seek to ‘bring class back into’ the framework, but reconstitutes GVC analysis on the basis of class analysis. It entails at least four dimensions:

**a)** A comprehension of class as inherently relational. Marxist class analysis understands class relations as based, primarily, upon exploitation of one class by another. Such a conception contrasts to non-relational, hierarchical, income-based theories of class.<sup>xxii</sup>

**b)** A focus upon the capitalist labour process (LP).<sup>xxiii</sup> The core of LP analysis is the focus on how managers organise work to ensure competitive capital accumulation, and how workers resist such moves by managers in order to maximise their freedom at and beyond work. LP analysis entails investigating the sphere of production and the interactions, changing relationships, and in particular, changing balances of power between workers and managers. However, as Kelly notes, maximising the value of LP theory requires extending the analysis of strategies of managerial control to the whole circuit of capital, rather than an exclusive focus on the workplace.<sup>xxiv</sup> And, as Fitzgerald argues, LP analysis should begin with the workplace and then extend ‘outward’ to incorporate wider processes of the reproduction of class relations.<sup>xxv</sup> (And, see below).

c) A methodological globalist conception of class: Rather than comprehending class relations as existing solely within territorially bounded units (principally firms and states) derived from a methodological nationalist perspective, it is necessary to understand class relations as globally determined. Methodological globalism begins from the totality of the world system and incorporates its international, national, sub-national determinants. From this vantage point it is possible, for example, to identify ways in which class relations in different parts of the world co-determine each other's development.<sup>xxvi</sup>

d) A re-constituted conception of inter-firm relations: This article, like mainstream GVC analysis, acknowledges that inter-firm relations are, in part, determined by a combination of competitive dynamics between firms within an institutional environment dominated by states. However, its objective is to illuminate how globally formed capital-labour relations are both determinants of inter-firm (and state) relations, and dialectically, how these class relations are mediated by firms and states. This move roots a class-relational GVC analysis within a dialectically constituted horizontal (firm-firm) and vertical (capital-labour) political economy context.

The remainder of this section show how a focus upon the above-mentioned dimensions can provide an alternative interpretation of what GVC analysis can investigate and illuminate and how.

### *3.1 – The Labour Regime*

That capital employs labour on an exploitative basis requires the existence of a labour force. The term 'labour regime' draws attention to the 'different modes of recruiting/mobilising labour and organising it in production'.<sup>xxvii</sup> Mainstream GVC analysis approaches the question of labour from a human-capital perspective. It enquires into and investigates the policies that states and firms need to implement to generate a sufficiently skilled labour force. But it rarely takes the further socio-historical step of enquiring into how regional labour forces

were established initially. Where it does it explains the existence of such labour forces as emerging from market forces of supply and demand. But this still leaves untouched the question of where workers, with nothing to sell but their labour power, originally come from. Labour regime analysis is necessarily multi-scalar, encompassing investigation of global, continental, national, regional and local dimensions of such regimes. As will be discussed below, TNCs globe-spanning activities rest upon a continually reforming global labouring class.

### *3.2 – The Capitalist Labour Process*

The capitalist labour process (LP) is an outcome of workers' institutional incorporation into the capitalist systems as sellers of labour power. It combines two sub-processes, a) the production of use and exchange values, and b) the production and expropriation of surplus value. The power relations that reproduce the capitalist labour process are largely invisible to mainstream value chain analysis. These relations entail changes in the ways workers relate to each other and the ways in which managers are able to organise workers' labour:

The power that capital has to pursue these objectives is in part...the power... to select, design or develop machinery and other aspects of the technology involved in the labour process.... [Capital] must therefore organise.... a system of *power relations* the function of which is to define and enforce the discipline of the labour process (original emphasis).<sup>xxviii</sup>

That Capital has the institutional right to purchase workers' labour power and direct it does not mean that it is all powerful in the sphere of production. As Harry Braverman noted 'what the worker sells and the capitalist buys, is not an agreed amount of labour, but the power to labour over an agreed period of time' and consequently, 'it thus becomes essential for the capitalist that control over the

labour process pass from the hands of the workers into his own' (1988 [1974]: 37, 39).<sup>xxix</sup>

The exploitative nature of the capital-labour relation generates repeated conflicts between workers and managers/owners of capital, and in these conflicts workers possess two distinct sources of bargaining power. 'Structural power' accrues to workers from their ability to disrupt the production process through suspension of work. 'Associational power' is generated through workers' organisations such as trade unions and political parties, that can, if sufficiently well organised, use workers' structural power as a means of forcing employers to ameliorate worker's pay and conditions.<sup>xxx</sup>

### *3.3 – Geography and the Social Relations of Scale*

GVC literatures tend to interpret globalised production and sourcing processes as means for lead firms to increase competitiveness through cutting costs and outsourcing risk. Such interpretations identify the opportunities for and imperatives of upgrading for newly emerging supplier firms in the global south. But they continue to treat worker's labour power as only a commodity input into production. Consequently they tend to de-politicise, de-historicise and de-socialise production.

An alternative comprehension of capital's globalising tendencies is provided by Beverly Silver who illustrates how for the auto and textile industries - the emblematic producer and buyer-driven value chains - the spatial expansion of capital, whilst facilitated by technological change was equally driven by conflictual class relations and capital's attempts to escape labour militancy.<sup>xxxi</sup> Silver illuminates a global capital-labour dialectic where scale and location of production is not determined only by cost and profitability, but underpinned by a) the availability of an exploitable working class (established and disciplined by state actions) and b) attempts to escape zones of labour militancy which threaten capital's profitability and authority over the production process.

The establishment of globalised systems of production through GVCs represents the geographical reconstitution of capital-labour relations which generates both new opportunities and risks for further capital accumulation.<sup>xxxii</sup> Opportunities include those of geographically dispersing the labour process and fragmenting (in new ways) labouring classes. Risks include the generation of new ‘choke points’ and possibilities of ‘bullwhip effects’ where stoppages of work in one node of the value chain disrupt the functioning of other nodes, and the value chain as a whole.

### *3.3 – Value chain Governance: The Social and Technical Division of Labour and the Collective Worker<sup>xxxiii</sup>*

A two-sided division of labour obtains in capitalist production and exchange. On the one hand a ‘technical’ division of labour exists within the firm consisting of a detailed and calculated division and allocation of tasks amongst workers overseen by managers. On the other hand the social division of labour is governed through commodity exchange on the market. According to Marx, the former is planned whilst the latter is anarchic because there is no overriding authority:

Division of labour within the workshop implies the undisputed authority of the capitalist over men who are merely members of a total mechanism that belongs to him. The division of labour within the society brings into contact independent producers of commodities, who acknowledge no other authority but that of competition.<sup>xxxiv</sup>

Marx characterised this two-sided division of labour as containing an anarchic element, as buyers and sellers of different commodities related to each other through the market. However, the GVC conception of chain governance shows how TNCs have attempted to transcend some of the anarchic aspects of the world market through intra and inter-firm coordination.

Value chain governance is often explained in terms derived from transaction cost economics.<sup>xxxv</sup> Here lead firms exercise high degrees of coordination over subordinate supplier firms through standardisation and specification of products, the use of information communication technologies to facilitate just-in-time delivery systems. Such measures are intended to increase predictability of transactions, the efficiency of production and to increase lead firm profitability. However, value chain governance can also be understood from a class-relational perspective, as a process of creating, employing and managing a global collective worker. As Marx noted:

All combined labour on a large scale requires...a directing authority... to secure the harmonious working of the individual activities, and to perform the general functions that have their origin in the action of the combined organism, as distinguished from the action of its separate organs. A single violin player is his own conductor: an orchestra requires a separate one.

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Under contemporary global capitalism the conductors of the orchestra are lead firms that circumscribe very tightly the conditions of production within supplier firms, through product standardisation and specification. Workers in supplier firms are ‘like a hand, watched, corrected, and controlled by a distant brain’.<sup>xxxvii</sup> Whilst the exact content and rhythm of the labour process is decided by the direct employing firm, its parameters are pre-set by lead firm-designed product and process specifications.

The formation of the collective worker is both an outcome and a constitutive feature of international wage differentiation. The global manufacturing system and lead firm strategies of value chain governance disperses the labour process on a global scale to separate out skilled from unskilled work and generate a corresponding wage hierarchy.<sup>xxxviii</sup> Dispersal of

production both reduces labour costs and enlarges the global labour pool to increase competition between geographically differentiated workers. And yet, as will be discussed in the next section, despite capital's strategies to fragment global labouring classes and reduce their bargaining power, workers enjoy new forms of structural and associational power which can be used to ameliorate their circumstances and generate progressive human developmental outcomes.

#### 4 - THE GLOBAL RETAIL REVOLUTION, EXPORT GRAPE PRODUCTION AND DEVELOPMENT IN NORTH EAST BRAZIL

This section illuminates the rise of the UK segment of the global retail revolution and the emergence and global integration of dynamic export horticulture in North East Brazil. It highlights the class relations underpinning both processes, and shows, from a methodological globalist perspective, how these initially distinct processes became intertwined and co-determining.

One of the most salient transformations in agricultural production, distribution and consumption since the 1970s and the dismantling of the 'national food regimes' associated with the 'development project', has been its upward integration into new circuits of globalised capital.<sup>xxxix</sup> In Latin America non-traditional agricultural exports (NTAX's) – cut flowers from Ecuador, wine and fruits from Chile, peanuts from Nicaragua, winter vegetables from Peru, Mexico and Guatamala, Soy from Argentina and Brazil - have become new sources of foreign exchange. As William Robinson notes, NTAX's have transformed the countryside across Latin America in a number of ways, through: 1) the increasing dominance of local agricultural systems by trans-national capital, 2) the displacement of the peasantry and its conversion into a rural proletariat, 3) the use of casualised work practices by employers, 4) the predominance of women workers in NTAX sectors, and 5) 'the articulation of local agricultural systems to the global supermarket'.<sup>xl</sup> NTAX production is integrated into global circuits of



production and exchange in novel ways compared to ‘traditional agriculture’ because it requires greater financial outlays to start-up and maintain production, and is highly dependent on a range of upstream industrial inputs, technical knowledge and techniques that are produced and often purchased from abroad.<sup>xli</sup>

Transnational retail capital has become increasingly concentrated and centralised since the 1990s, through a ‘global retail revolution’. For example, the combined market share of the four largest US grocery retailers has grown from 14% in 1984 to around 55% in 2001.<sup>xlii</sup> The United Kingdom is the most advanced national segment of the global retail revolution.<sup>xliii</sup> The value of imported fruit to the UK rose from approximately £1.47 billion to £2.08 billion between 1996 and 2006.<sup>xliv</sup> Within this global context, Brazil’s North East has become home to a dynamic centre of non-traditional export agriculture. This section plots, first, the British contribution to the Global Retail Revolution, and second, North East Brazil’s co-evolution to the point where the two dynamics began to intertwine through global value chains.

#### *4.1 From National to Global Retail Revolution*

The global retail revolution (GRR) is often portrayed as having its roots, in part, in the broader transformations associated with globalisation from the 1970s and 1980s onwards – new communication and transport technologies, cool chains, structural adjustment programmes and renewed export focus across much of the global south (as in Robinson above). However, this is only part of the story. That the UK is the most advanced player in the GRR reflects its own history of economic restructuring that stretch back further than the above-mentioned innovations, entailing, crucially, changes in domestic class-relations. This restructuring of class relations transformed the British economy into what MacKinnon (2012, 237) calls a ‘generator region’ for retail capital’s global reach.<sup>xlv</sup>

Large corporate value chains in the UK more than doubled their share of total retail sales between 1950 (22%) to 1982 (56%).<sup>xlvi</sup> This mega concentration and centralisation of retail capital was facilitated in particular by specific forms of state regulation of large capital and of changes in the composition of the working class. The decline of the state-enforced resale price maintenance in the late 1950s and 1960s – under pressure from retail capital – gave newly emerging retail corporations the power to set their own (lower) prices for the food they sold, thereby cutting into profits of the independent retail sector. Corporate retailers began using ‘own brand’ labels to differentiate their products from their manufacturer-suppliers and increase cost-down pressures on the latter. The growing power of corporate retail capital in the UK signified a shift in the balance of power within the sector, representing the rise of increasingly ‘buyer-driven’ domestic retail value chains.

The concentration of corporate retail power was facilitated by the British state in at least three ways. First, In addition to its reluctance to reinforce resale price maintenance, it rarely pursued anti-monopoly legislation compared to other European states.<sup>xlvii</sup> Second, from the early 1980s the state played a central role in reshaping the UK labour market by using anti-trade union legislation to strictly limit workers’ ability to pursue collective actions, presiding over rising unemployment and cutting welfare entitlements to the working class. These measures had the effect of pushing wages down, raising the dependence of workers upon increasingly precarious employment, reducing working class families’ abilities to provide for their members while the latter pursued non-wage activities (such as education and training) thus pushing increasing number of unskilled workers into the workforce. As Marsden and Wrigley note ‘The deregulatory nation-state.... has delivered cheap pools of unskilled and semi-skilled labour for retailers’.<sup>xlviii</sup> Corporate retail capital benefitted in particular from the national-level restructuring of the workforce. Most of the jobs created

in the sector were ‘part-time female positions, thus intensifying the broader trend towards the part-time, feminisation of the UK employment structure.’<sup>xlix</sup>

A third way in which the UK state facilitated retail capital’s concentration and centralisation was through an emerging neoliberal regulatory environment, where large retailers were ‘delegated by the state key responsibilities for management and policing’ of the national food system (Marsden and Wrigely: 1995, 1899).<sup>l</sup> From the early 1980s onwards corporate retail capital increasingly defined new consumption habits under the guise of representing ‘consumer interest’. This emerging role, which was extended further by the 1990 UK food safety act, provided retail capital with an extensive rationale for governing the food value chain – from sourcing to production to sale to consumption – which in turn reinforced its ability to further force cost-down pressures across the value chain onto manufacturer suppliers (Arce and Marsden: 1993).<sup>li</sup>

A particular dilemma emerged, however, from this new configuration of capital-labour and production-consumption relations for retail capital in particular and for the UK state in general. This was how to generate rising levels of consumption in a context of stagnating real wages - to sustain corporate profits and to generate the ideological glue necessary to convince significant segments of the UK population that neoliberal restructuring was in their interest? Part of the solution to this problem was through the global sourcing of increasingly cheap wage goods and what were previously luxury niche consumption goods such as fresh fruits and vegetables. The Global Retail Revolution emerged not simply from corporate capital’s inherent competitive dynamic, or from technological innovations, or structural adjustment programmes in the global south, but also from specific UK-based class dynamics. And it was sustained by the expansion of export horticulture across new regions in the global south.

#### *4.2 Emergence of the São Francisco Export Grape Sector:*<sup>lii</sup>

Between the early 1990s and the mid to late 2000s the São Francisco (SF) valley in North East Brazil, located around the cities of Petrolina and Juazeiro in the states of Pernambuco and Bahia respectively, emerged as the country's largest exporter of high quality table grapes. During this period the UK retail sector was its most profitable export market. By the late 2000s the valley accounted for over 90 percent of Brazilian grape exports because it was able to organise production to take advantage of periods of low supply in Europe. By the mid 2000s table grapes had become the region's principal export crop, with export volumes and earnings increasing from 3,700 tons and US\$4.7 million in 1997 to over 78,000 tons and over US\$170 million by 2007. Grape production expanded from approximately 4,500 hectares (ha) of vineyards in 2001, to around 12,100 ha by 2007.<sup>liii</sup> By the mid 2000s there were more than 50,000 workers employed in the grape sector alone.<sup>liv</sup> Behind this glittering success story, however, lies not a tale of far-sighted strategic coupling, but one of class struggle, dictatorship, and mega state investments.

During the second half of the twentieth century the Brazilian state pursued objectives of agrarian 'modernisation' as a means of increasing Brazilian economic competitiveness and stabilising rural and urban social relations. Cliff Welch notes how during the height of Brazil's Import Substitution Industrialisation (ISI) strategy, the Brazilian state sought to address the twin problem of generating and transferring income from agrarian to industrial sectors and alleviating rural social tensions through social policy.<sup>lv</sup> These policies included attempts to incorporate rural labour under state patronage through providing rural workers with some political and economic reforms. For example, in 1963 the Goulart government passed the Rural Workers Statute which guaranteed to rural workers a minimum wage, a paid day off every week, paid holidays, maternity leave, job security after 10 years of employment, and employers obligation to sign each worker's work card.

Unexpectedly for state administrators, rural workers and small-holders

used the relatively permissive political space created by the state to agitate and organise for land reform and better working conditions. The agitation was rooted in the continuing extreme inequality of land distribution in Brazil, the dire conditions of the mass of rural labourers, and inspired by the 1959 Cuban revolution and its sweeping land reform programme .

However, the government's relatively close association with rural and urban workers combined with an economic slowdown and an increasing perception amongst the upper echelons of Brazilian society that workers were increasingly posing a threat of communism.<sup>lvi</sup> These groups supported the military coup in April 1964 which sought to 'exclude' and 'deactivate' rural and urban 'popular' movements.<sup>lvii</sup>

Following the coup the state unleashed a process of 'conservative modernisation'. It repressed and eliminated the peasant movements, began a huge programme of modernising agriculture through its rapid capitalisation, and moved to incorporate agriculture into the industrial sector via the establishment of large-scale agro-industrial complexes.<sup>lviii</sup> Welch calculates that, consequently, more than 30 million workers left the rural sector between the 1960s and 1980s.<sup>lix</sup> Workers that remained in the rural sector were subject to fast-changing imperatives:

One fundamental characteristic of Brazilian development has been the super-exploitation of the different categories of rural wage labour, including the peons virtually enslaved on the large fazendas of the Amazon region... the 'bóias-frias' (migrant day labourers) of the modern sugar-cane and orange plantations in São Paulo... and the workers in more traditional areas.<sup>lx</sup>

Within this broader national context, the Brazilian state was the primary

actor in the establishment of the *São Francisco* valley as a region of agrarian accumulation from the 1960s onwards. Importantly, given how the strategic coupling concept (over) emphasises policy intentionality, its initial objectives *were not* to stimulate high-value export horticulture. Rather it was to facilitate the expansion of basic-food crop production to provide cheap food to urban centres to minimise political disruption due to food shortages and to facilitate a model of industrial expansion based on cheap labour.

The emergence of irrigated agriculture in the Petrolina-Juazeiro region of the North East was part of a broader process of state investments in irrigation across the whole of Brazil beginning in the 1960s. The total area under public irrigation in Brazil expanded more than five-fold between 1960 and 1988. The North East increased its percentage of total public irrigated land from 11.4% to 22.9% between 1960 and 1988.<sup>lxi</sup> From the late 1960s onwards over 100,000 hectares of land were converted to irrigated agriculture use in the SF region, through public and private investments.

These investments led to significant transformations of local social relations. Prior to the establishment of the SF valley's horticulture sector, principal economic activities revolved around cattle-ranching, small-scale riverside and flood plain agriculture and artisan fishing (Chilcote 1990). On riverside plots landowners presided over sharecropping systems with live-in workers. Johnson (1971) notes how sharecropping systems often involved debt peonage and service in the patron's militia. The development of irrigation projects ended these relations across much of the valley, as from the late 1960s onwards widespread flooding to construct the Sobradinho dam and large-scale land expropriations to construct the irrigation projects led to the displacement of both large landowners and smallholders. Many of the former 'were reorganised as commercial enterprises structured around the . . . irrigation canals' (Collins & Krippner 1999: 519), and whilst some smallholders became re-established as colonos (small-scale farmers) on the irrigation districts, many moved out of the

region.

CODEVASF (*Compania de Desenvolvimento do Rio São Francisco* - the São Francisco River Basin Development Agency), established in 1974, has been the principal state agency responsible for managing the valley's irrigation districts. It has done so through the provision of basic infrastructure, irrigation technology and technical assistance and rural extension which can be sub-divided into three periods.

*Phase One 1960s – Late 1970s:* The federal state's primary goal was initially to raise the North East's food security. Basic food crops were to be produced both for self-consumption by the newly settled *colonos* (small-scale farmers) and for sale onto regional markets, particularly in the coastal cities. These initial attempts at establishing irrigated agriculture were characterised by relatively small size of irrigation projects, allocation of small plots of land to farmers and utilisation of basic (ditch) irrigation. Main crops grown were corn, beans, onions and tomatoes. A former regional development agency employee explained the trial and error atmosphere surrounding these first forays: 'At that time no-one wanted to settle on these projects... they were afraid and thought that it would not work out, [and] we were not sure that it would end up successfully'.<sup>lxiii</sup>

*Phase Two Late 1970s – Mid 1990s:* During the second phase the majority of irrigation project construction took place. Newly constructed districts were divided on an approximately 60/40 basis between *colonos* and firms. *Colonos* received plots of between 6 and 12 hectares and firms between 50 and 100 hectares. Whilst both *colonos* and firms received subsidised water and electricity, the former were also integrated into an extensive technical assistance and rural extension programme subsidised by CODEVASF designed to facilitate irrigated agricultural production.

*Phase Three Mid 1990s – Present:* From the mid 1990s the SF valley's emerging horticulture sector was characterised by: A gradual withdrawal of direct assistance to *colonos* by state agencies; an increased role allocated to private actors in terms of introducing new crops, knowledge, and marketing connections; and a shift in emphasis of land allocation, from relatively lowly capitalised *colonos* to relatively highly capitalised small, medium and large investors. It was only during this phase that there emerged a concentrated emphasis on high value, export orientated crops by state agencies in collaboration with private sector producer cooperatives and marketing associations.

#### *4.3 – The Grape Sector's Labour Regime and Labour Process*

By the mid 2000's there were up to 50,000 workers in the grape sector. Export-orientated grape producers had to meet rising buyer and market requirements to export to the UK and mainland Europe. For example, between the late 1980s and early 2000s they had to increase grape berry size from about 17mm to 25mm to meet increasingly stringent buyer standards. Exporting farms employ expert consultant agronomists for advice and guidance.

To achieve product and process upgrading exporting farms have increased the number of operations performed by workers. These include bunch and branch pruning, application of pesticides and fertilizers, soil analysis, tying back branches, cutting back shoots, and pre-harvest sugar content analysis. Whilst farms have detailed production calendars, variations in each plant cycle, depending on climatic conditions, mean that agronomists and managers must continually monitor plant, berry and bunch growth in order to ensure the operations are carried out at the optimal moment of the cycle.

Market orientation influences farm-level class formation. Rapid product and process upgrading by exporting farms has contributed to a steeply diverging



production processes within the grape sector. For example, whilst farms producing for domestic street markets carry out around 9 operations per harvest cycle, employ fewer workers and are much less capital intensive, exporters to the UK require more than 30 operations, employ more workers and utilise advanced technologies and plant management techniques.

Improving fruit quality means training workers to avoid waste and inefficiency, and to perform new tasks that contribute to the production of higher quality and priced fruit. The rising skill-intensity of labour required for export grape production, combined with high number of operations required during the relatively short harvest cycle has provided workers with important new sources of structural bargaining power vis-a-vis capital.

Just as labouring class formation differs according to market destination, so does the formation of the valley-wide capitalist class. Employers on export-orientated farms tend to be richer, better organised (integrated into valley-wide producers organisations) and have more access to capital and technology than employers on smaller domestically orientated farms. The formation of different class fractions amongst employers has contributed to distinct relations between sections of capital and between sections of capital and labour.<sup>lxiii</sup>

#### *4.4 Workers' Bargaining Power and Social Upgrading*

Workers, organised by the rural workers' union - the *Sindicato de Trabalhadores Rurais* (STR) won significant concessions from exporting farms in the SF valley from the mid 1990s onwards. As a lawyer from the STR described it:

Before we had the collective agreement, working on grape farms could be very dangerous. Workers were transported to the farms on top of lorries, they had to apply insecticides without using protective clothing, they might hurt themselves at work and not be able to continue working, and then the boss would sack them. Lunch breaks were not specified, with workers

sometimes being forced to work throughout the day without a break, and safe drinking water was not provided.<sup>lxiv</sup>

The rural workers union began campaigning for improved workers' rights and conditions. In 1994 it signed a collective agreement with employers in the valley institutionalising several improvements. Throughout the 1990s and into the early 2000s the STR adopted a strategy of striking or threatening to strike during the harvest calendar in order to protect and extend gains won from employers. Such strikes were designed to threaten the quality of the grapes and reduce their market price. Gains to workers included basic pay 10 percent above the national minimum wage, overtime payments up to 70 percent above the basic rate, paid maternity leave, the provision of on farm crèche facilities, the right to trade union representation, and the provision of safe transport to work.

The complex labour process combined with strictly timed export windows means that agronomists must specify exactly when production operations must take place. If they are not carried out on time fruit quality declines rapidly. Under these conditions trade unions have been quite successful in mobilising their members to take strategic strike action at key points in the production calendar, and in so doing threatening farms with the possibility of producing sub export-standard grapes leading to financial loss.<sup>lxv</sup>

## 5 – CONCLUSIONS

This article attempts to establish a class-relational basis for GVC analyses. Section two criticised the concept of strategic-coupling, showing how it generates a misleading comprehension of development. The concept is a-historical and a-social because of its firm-centrism. Consequently it is ill-placed to comprehend how capitalist expansion and human development are complex and contradictory processes rooted in evolving (often conflictive) class relations. Because the strategic coupling concept is concerned primarily with intentional development

policy, it cannot appreciate the unintentionality and indeterminacy of the development process. It proffers simplistic policy formulations based upon linear conceptions of development. It obscures how actors other than firms and states, in particular labouring classes and their organisations, can generate more progressive human developmental outcomes.

Section three provided some initial building blocks for conducting a class-relational GVC analysis. Such an analysis should start from capitalism's core social relations – the globally constituted capital-labour relation, and endless competitive accumulation between firms. By framing the analysis of inter-firm relations within the context of competition between firms, and within the context of globally-constituted capital-labour relations, it illuminates social dynamics that are usually neglected by mainstream GVC analysis.

Section four used the case study of export grape production in North East Brazil to illustrate how the region emerged, not because of intentional state policy, but because of complicated historical processes of class struggle, dictatorship, mega state-investments, an emergent global retail revolution rooted in particular national class dynamics (in the UK) and, only very recently, the conjoining of these processes through GVCs. It demonstrated how global retail capital determines significantly the production, reproduction and existence of local working classes in the region. It also showed how the labour process provides workers with novel forms of bargaining power which they have used to ameliorate their conditions and engender more progressive human development than would have accrued to them based on 'passive' employment by globally orientated supplier firms.

Whilst GVC analysis is correct in identifying ways in which lead firms govern value chains to raise their competitiveness, often through imposing cost-down pressures upon suppliers, it misses out a larger piece of the puzzle. That is how lead firms, in collaboration with international institutions, states and national

capital, have sought to create an internationally fragmented labouring class in order to raise the rate of labour exploitation.

It is also the case, however, that many movements by workers can be understood as struggles by an emerging global collective worker for the generation and realisation of its own collective identity – through trade union and landless labourer mobilisations, strikes against low pay and sub-standard conditions, pro-labour activism by NGO's, women's organisations, anti-sweatshop campaigns and other forces that challenge the power of capital. A class-relational GVC analysis de-fetishises the power of firms and states by illuminating ways in which the latter seek to exploit labouring classes the world over. And it tries to highlight how labouring classes are able not only able to resist such attempts at heightened exploitation, but in so doing, to generate their own class dynamics of human development.

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- <sup>i</sup> Cited in Werner, Bair and Fernández, 'Linking up to Development', 1220.
- <sup>ii</sup> Sen, *Development as Freedom*, xii, 3.
- <sup>iii</sup> See Selwyn 'Liberty Limited' for a critical discussion of Sen.
- <sup>iv</sup> Marx, *Capital*.
- <sup>v</sup> Gereffi and Korzeniewicz, 'Commodity Chains and Global Capitalism'.
- <sup>vi</sup> Conceptually the GVC approach is perhaps the most firm-centric of the chain approaches, whilst the GPN approach seeks to incorporate multi-scalar processes with network and extra-network actors. These distinctions, I suggest, represent more conceptual family differences rather than fundamental ontological divergences.
- <sup>vii</sup> Gereffi and Korzeniewicz, *Introduction: Commodity Chains and Global Capitalism*.
- <sup>viii</sup> Hopkins and Wallerstein, 'Commodity Chains in the World Economy'.
- <sup>ix</sup> Humphrey and Schmitz, 'Governance and Upgrading', Sturgeon 'From Commodity Chains to Value Chains',
- <sup>x</sup> Bair, 'Global Capitalism and Commodity Chains. p. 160'.
- <sup>xi</sup> Henderson, Dicken, Hess, Coe and Yeung, 'Global Production Networks'.
- <sup>xii</sup> Taylor, 'The Globalisation of Service Work'. See also the recent special issue of *Review of International Political Economy* 21 (1) which, as with so much chain analysis, has no discussion of value and ignores labour and class dimensions of global value chain analysis.
- <sup>xiii</sup> UNCTAD, 'Global Value Chains and Development'. 175.
- <sup>xiv</sup> Yeung, 'Regional Development and Competitive Dynamics', 213.
- <sup>xv</sup> Yeung, 'Regional Development in the Global Economy', 14-15.
- <sup>xvi</sup> MacKinnon, 'Beyond Strategic Coupling'. 237.
- <sup>xvii</sup> Yeung, 'Regional development in the global economy', 15.
- <sup>xviii</sup> Coe, 'Geographies of Production'. 397.
- <sup>xix</sup> The contemporary phenomenon of land-grabbing across large swathes of the 'developing' world represent such dynamics.
- <sup>xx</sup> See, for an alternative, Selwyn, 'Social Upgrading and Labour'.
- <sup>xxi</sup> For an attempt to theorise the inter-relationships between class dynamics, international relations and unintended consequences, see Selwyn 'Trotsky, Gerschenkron'.
- <sup>xxii</sup> Kapsos and Bourmpoula, 'Employment and Economic Class'
- <sup>xxiii</sup> Braverman, 'Labour and Monopoly Capital'.
- <sup>xxiv</sup> Kelly, 'Management's Redesign of Work'.
- <sup>xxv</sup> Fitzgerald, 'Corporations and Cultural Industries'.
- <sup>xxvi</sup> See Marx's statement that 'Direct slavery is just as much the pivot of bourgeois industry as machinery, credit, etc. Without slavery you have no cotton; without cotton you have no industry. It is slavery that has given the colonies their value; it is the colonies that have created world trade, and it is world trade that is the pre-condition of large-scale industry'. (Marx, 1846) I attempt to develop a methodological globalist class analysis over the longue durée in Selwyn, '21<sup>st</sup> Century IPE'.
- <sup>xxvii</sup> Bernstein, *Class Dynamics of Agrarian Change*, 127.
- <sup>xxviii</sup> *ibid*
- <sup>xxix</sup> Braverman, *Labour and Monopoly Capital*, 37, 79.
- <sup>xxx</sup> Wright, 'Working Class Power'.
- <sup>xxxi</sup> Silver, 'Forces of Labour'.
- <sup>xxxii</sup> Harris, *End of the Third World*.
- <sup>xxxiii</sup> This section draws from Merk, 'Global Outsourcing'.
- <sup>xxxiv</sup> Marx, *Capital*, 476-77.
- <sup>xxxv</sup> Gereffi, Humphrey and Sturgeon, 'The Governance of Global Value Chains'.
- <sup>xxxvi</sup> Marx, *Capital*, 448.
- <sup>xxxvii</sup> Braverman, *Labour and Monopoly Capital*, p. 124-5, cited in Merk.
- <sup>xxxviii</sup> Selwyn, *The Global Development Crisis*.
- <sup>xxxix</sup> McMichael, *Development and Social Change*, and Weiss, *The Global Food Economy*.
- <sup>xli</sup> Robinson, *Latin America in Global Capitalism*, 58-59. And Weiss, *Global Food Economy*
- <sup>xlii</sup> Swinnen and Vandeplas, 'Market Power and Rents', 111.
- <sup>xliii</sup> Dolan and Humphrey, 'Governance and Trade in Fresh Vegetables'.
- <sup>xliv</sup> Clarke, 'Retail Power'.
- <sup>xliv</sup> MacKinnon, 'Beyond Strategic Coupling', 237.
- <sup>xlvi</sup> Wrigley, 'Concentration of Capital', 1283.
- <sup>xlvi</sup> Wrigley, 'Abuse of Market Power?', 1546.
- <sup>xlvi</sup> Marsden and Wrigley, 'Regulation, Retailing and Consumption', 1908.
- <sup>xlix</sup> Wrigley, 'Concentration of Capital', 1283.

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- <sup>i</sup> Marsden and Wrigley, 'Regulation', 1899.
- <sup>li</sup> Arce and Marsden, 'The Social Construction'.
- <sup>lii</sup> This section draws on Selwyn, *Workers, State and Development*.
- <sup>liii</sup> Valexport, 'Há 20 Anos'.
- <sup>liv</sup> Estimates provided by the STR and the local Ministry of Labour.
- <sup>lv</sup> Welch, 'Globalisation and the Transformation of Work'.
- <sup>lvi</sup> Skidmore, *The Politics of Military Rule in Brazil*.
- <sup>lvii</sup> O'Donnell, *Modernisation and Bureaucratic Authoritarianism*.
- <sup>lviii</sup> Grybowski 'Rural Workers' Movements', 20. Guivant, 'Agrarian Change', 4.
- <sup>lix</sup> Welch, 'Globalisation'.
- <sup>lx</sup> Grybowski, 'Rural Workers' Movements', 21.
- <sup>lxi</sup> Souza, 'O Impacto'.
- <sup>lxii</sup> Cited in Selwyn, *Workers, State and Development*, 53.
- <sup>lxiii</sup> Selwyn, 'Political Economy of Class Compromise'.
- <sup>lxiv</sup> Interview with Sidrone da Silva Neto, Petrolina, July 2002, cited in Selwyn *Workers, State and Development*, p.106.
- <sup>lxv</sup> The Story does not finish here. Employers have hit back at the STR and have tried to undermine its bargaining power through restructuring the rural labour market. Space does not permit an account of this pendulum swing in class relations, but see Selwyn *Workers, State and Development*.